

COMPANY RESULTS

Oiltek International (OTEK SP)

2024: Record-High Revenue And Earnings; Bright Future Ahead

Oiltek's 2024 revenue of RM230m (+15% yoy) was largely in line with our forecast, while net profit of RM30m (+55% yoy) beat our and consensus estimates by 12% and 14% respectively on better-than-expected margins. The edible & non-edible oil refinery segment continues to be the key growth driver, surging 23% yoy from new projects secured. We remain positive on its outlook, backed by its strong orderbook and macro trends. Maintain BUY with a higher target price of S\$1.37 (S\$1.22 previously).

2H24/2024 RESULTS

Year to 31 Dec (RMm)	2H24	hoh % chg	yoy % chg	FY24	yoy % chg
Revenue by Segments:					
- Edible & Non-Edible Oil Refinery	106.2	21.1	5.7	193.9	23.2
- Renewable Energy	14.9	439.8	3.0	17.6	(29.7)
- Product Sales and Trading	8.8	(12.5)	(7.1)	18.8	0.9
Total revenue	129.8	29.3	4.4	230.3	14.5
Gross profit	35.6	82.3	39.0	55.1	40.4
Gross margin (%)	27.4%	+8ppt	+6.8ppt	23.9%	+4.4ppt
Net profit	19.2	82.7	67.9	29.6	55.0
Net margin (%)	14.8%	+4.3ppt	+5.6ppt	12.9%	+3.4ppt

Source: Oiltek, UOB Kay Hian

RESULTS

- Earnings beat on better-than-expected margins; higher dividend proposed.** Oiltek International (Oiltek) recorded 2024 revenue of RM230.3m (+15% yoy), largely in line with our and consensus forecasts. However, 2024 earnings of RM29.6m (+55% yoy) was 12% and 14% above our and consensus forecasts respectively. The earnings beat was due to: a) substantial yoy gross margin expansions in 2H24 (+6.8ppt) and 2024 (+4.4ppt), driven by more contributions from the edible & non-edible refinery segment; and b) higher-than-expected interest income, which grew 1.5x yoy. A higher final DPS of 1.8 S cents was proposed, leading to a total DPS of 2.7 S cents (2023: 1.6 S cents) or 44.4% payout ratio.
- Strong revenue growth from main oil refinery segment.** 2024 revenue from the edible & non-edible oil refinery segment surged to RM193.9m (+23% yoy) from new projects from Malaysia that were secured in 2023. Product sales and trading revenue increased marginally to RM18.8m, from greater demand for parts and engineering components from Malaysian customers. The renewable energy segment, however, saw revenue decline 30% yoy to RM17.6m, due to a project in Indonesia that was largely completed in 2023.
- Orderbook remains near record high.** Oiltek secured RM207m in new orders in 2024, bringing its orderbook to RM355m as of 12 Feb 25 (vs RM361m as of 7 Feb 24). This is expected to be fulfilled in the next 18 to 24 months.

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	201	230	270	302	334
EBITDA	23	34	43	48	52
Operating profit	23	34	43	47	51
Net profit (rep./act.)	19	27	34	38	41
Net profit (adj.)	19	27	34	38	41
EPS (sen)	13.4	18.8	23.8	26.3	28.4
PE (x)	28.4	20.2	15.9	14.4	13.4
P/B (x)	8.0	6.4	5.2	4.4	3.7
EV/EBITDA (x)	18.6	12.6	10.0	9.0	8.3
Dividend yield (%)	1.5	2.3	2.7	3.0	3.2
Net margin (%)	9.5	11.7	12.6	12.5	12.2
Net debt/(cash) to equity (%)	(195.5)	(125.9)	(111.7)	(111.5)	(111.2)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	31.5	35.3	36.2	32.9	29.8
Consensus net profit (RMm)	-	-	26	31	35
UOBKH/Consensus (x)	-	-	1.31	1.22	1.15

Source: Oiltek, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.15
Target Price	S\$1.37
Upside	+19.1%
(Previous TP)	S\$1.22

COMPANY DESCRIPTION

Oiltek International provides renewable energy equipment.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	OTEK SP
Shares issued (m):	143.0
Market cap (S\$m):	164.5
Market cap (US\$m):	121.5
3-mth avg daily t'over (US\$m):	0.2

Price Performance (%)

52-week high/low S\$1.24/S\$0.23

1mth	3mth	6mth	1yr	YTD
10.6	57.5	147.3	379.2	10.6

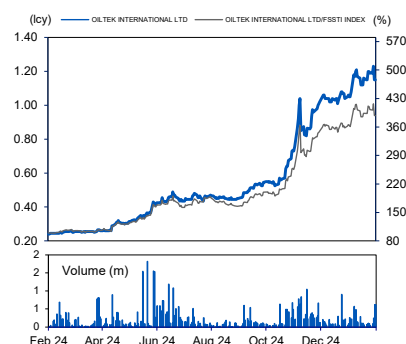
Major Shareholders

	%
Koh Brothers Group	68.1
Yong Khai Weng	6.43
-	-

FY24 NAV/Share (S\$) 0.73

FY24 Net Cash/Share (S\$) 0.81

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Management remains optimistic about long-term prospects.** According to Precedence Research, the global fats and oils market size was valued at US\$257b in 2023 and is projected to surpass US\$403b by 2033. Population growth and rising food demand will lead to greater demand for both edible and non-edible oils and fats, especially vegetable oils. Oiltek is a clear beneficiary as it is a solutions provider for all vegetable oils like palm oil, soybean oil, and rapeseed oil. Furthermore, higher biodiesel blending requirements in Malaysia from B10 to B20 and in Indonesia from B35 to B40 in 2025 will likely boost demand for biodiesel and drive growth in Oiltek's renewable energy segment.

- **SAF gaining importance as international aviation industry targets to reduce emission.** The international aviation industry has set a goal to reach net zero CO2 emissions by 2050. This will require an increase in sustainable aviation fuel (SAF) production, which could contribute around 65% of the reduction in emissions needed by aviation, according to the IATA. SAF is a liquid fuel that can be produced from various sources like hydro-treated vegetable oil (HVO). As Oiltek has solutions to treat vegetable oil-based raw materials as feedstock in HVO production, the growing demand for SAF could lead to more contract wins for Oiltek in the future.

EARNINGS REVISION/RISK

- **We raise 2025/26 earnings forecasts 12%/11% to RM34.1m/RM37.6m respectively (RM30.5m/RM33.8m previously)** while revenue projections remain unchanged, as we factor in higher margins from the edible & non-edible refinery segment. We also introduce our 2027 forecasts.

VALUATION/RECOMMENDATION

- **Maintain BUY with a higher target price of S\$1.37 (S\$1.22 previously)**, based on an unchanged 19x 2025F PE, pegged to 0.9x PEG. We have ascribed a 10% discount to 1.0x PEG, as we monitor for an improvement in trading liquidity which could lead to a better price discovery for Oiltek. In addition, we think good project execution and more contract wins could lead to further re-rating of the stock.

SHARE PRICE CATALYST

- Higher-than-expected order wins.
- Better-than-expected gross margins from better economies of scale.

PEER COMPARISON

Company	Ticker	Price @ 12 Feb 25 (lcy)	Market Cap (US\$m)	PE 2023 (x)	PE 2024 (x)	PE 2025 (x)	P/B 2025 (x)	EV/EBITDA 2025 (x)	ROE 2025 (%)	Yield 2025 (%)	Net Gearing 2025 (%)	Net Margin 2023 (%)
BM Greentech	BMGREEN MK	1.91	294	29.3	26.5	23.3	3.4	15.5	14.1	1.2	(32.0)	7.6
Samaiden Group	SAMAIDEN MK	1.28	120	49.0	32.6	23.7	3.6	12.1	14.5	1.2	(88.9)	5.9
Kelington Group	KGRB MK	3.44	554	21.3	19.1	17.5	4.9	11.1	29.2	1.9	(43.1)	6.5
Kinergy Advancement	KASB MK	0.32	149	21.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	28.1	13.7
Average				30.3	26.1	21.5	4.0	12.9	19.3	1.4	(34.0)	8.4
Oiltek International	OTEK SP	1.15	121	28.4	21.1	0.5	0.1	11.1	31.7	2.2	(148.0)	9.5

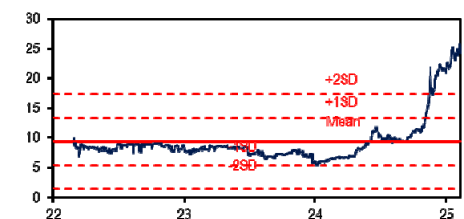
Source: Bloomberg, UOB Kay Hian

INDONESIA AND MALAYSIA BIODIESEL PRODUCTION



Source: Statista, UOB Kay Hian

HISTORICAL PE BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	230.3	270.0	302.0	334.0
EBITDA	33.9	42.7	47.5	51.5
Deprec. & amort.	0.4	0.2	0.2	0.2
EBIT	33.5	42.5	47.3	51.3
Total other non-operating income	0.0	0.0	0.0	0.0
Net interest income/(expense)	3.2	3.2	3.2	3.2
Pre-tax profit	36.7	45.7	50.5	54.5
Tax	(9.9)	(11.7)	(12.9)	(13.9)
Minorities	0.0	0.0	0.0	0.0
Net profit	26.8	34.1	37.6	40.6
Net profit (adj.)	26.8	34.1	37.6	40.6

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	3.6	2.9	2.2	1.5
Other LT assets	0.4	0.4	0.4	0.4
Cash/ST investment	106.1	115.9	139.1	163.9
Other current assets	106.3	124.6	139.4	154.2
Total assets	216.5	243.9	281.2	320.0
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	132.2	140.9	157.1	173.4
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	0.0	0.0	0.0	0.0
Shareholders' equity	84.3	103.7	124.8	147.4
Minority interest	0.0	(0.7)	(0.7)	(0.7)
Total liabilities & equity	216.5	243.9	281.2	320.0

CASH FLOW

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	(11.7)	24.9	40.3	43.3
Pre-tax profit	39.5	45.7	50.5	54.5
Tax	(7.4)	(11.7)	(12.9)	(13.9)
Deprec. & amort.	0.4	0.2	0.2	0.2
Associates	(2.6)	0.0	0.0	0.0
Working capital changes	(45.0)	(9.6)	1.5	1.5
Non-cash items	(0.1)	0.0	0.0	0.0
Other operating cashflows	3.6	0.3	1.0	1.0
Investing	(0.6)	(0.5)	(0.5)	(0.5)
Capex (growth)	(0.7)	(0.5)	(0.5)	(0.5)
Proceeds from sale of assets	0.1	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
Financing	(12.1)	(12.7)	(14.6)	(16.0)
Issue of shares	(12.1)	(12.7)	(14.6)	(16.0)
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	0.0	0.0	0.0	0.0
Net cash inflow (outflow)	(24.4)	11.7	25.2	26.7
Beginning cash & cash equivalent	132.5	106.1	115.9	139.1
Ending cash & cash equivalent	108.1	117.9	141.1	165.8

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	14.7	15.8	15.7	15.4
Pre-tax margin	16.0	16.9	16.7	16.3
Net margin	11.7	12.6	12.5	12.2
ROA	13.4	14.8	14.3	13.5
ROE	35.3	36.2	32.9	29.8
Growth				
Turnover	14.5	17.2	11.9	10.6
EBITDA	47.4	26.1	11.2	8.4
Pre-tax profit	44.1	24.5	10.5	7.9
Net profit	40.4	26.9	10.5	7.9
Net profit (adj.)	40.4	26.9	10.5	7.9
EPS	40.4	26.9	10.5	7.9
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(125.9)	(111.7)	(111.5)	(111.2)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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